



FACT SHEET: THE SOCIAL SECURITY PAYROLL TAX RATE

"April 15th reminds us that Social Security payroll taxes have been increased 20 times and each time has failed to permanently fix the system. Social Security payroll tax increases hurt our wallets and our economy and would again fail to solve this serious problem. Some argue that Social Security payroll tax increases are the way to go. President Bush and I strongly disagree."

-Statement by Treasury Secretary John W. Snow, April 13, 2005

The President Has Laid Out Basic Principles That Must Guide Reform

- **No Changes For Those Born Before 1950.** Those who are at or nearing retirement will see no changes to their Social Security benefits, but they too want to see the system strengthened for their children and grandchildren.
- **We Must Fix Social Security Permanently.** The President wants to fix Social Security once and for all so that our children and grandchildren do not face these same problems.
- **No Increase In Payroll Tax Rates.** Increasing the payroll tax rate would burden workers and harm our economic strength.

The Social Security Payroll Tax Rate Has Been Increased 20 Times

- The Social Security payroll tax rate has been raised 20 times since 1937, going from 2 percent to the current 12.4 percent (employee plus employer contribution).
- The Social Security payroll tax rate was raised 7 times between 1978 and 1990 alone.
- The Social Security payroll tax rate has been constant since 1990.

Calendar Year	OASDI Tax Rate (Percent)		
		1969	8.4
1937	2	1971	9.2
1950	3	1973	9.7
1954	4	1974	9.9
1957	4.5	1978	10.1
1959	5	1979	10.16
1960	6	1981	10.7
1962	6.25	1982	10.8
1963	7.25	1984	11.4
1966	7.7	1988	12.12
1967	7.8	1990	12.4

* Source: 2005 Trustees Report, pgs 125-126

How Would Future Tax Hikes Affect Social Security?

- If the Social Security tax rate were to be raised immediately:
 - The tax rate must be increased to 14.32 percent to restore 75-year solvency.
 - The tax rate must be increased to 15.9 percent to restore infinite solvency.
- If the Social Security tax rate were to be raised when the trust fund is exhausted in 2041:
 - The Social Security tax rate would need to be 16.7 percent to meet program costs in 2041, an increase of 35% over the current rate.
 - The Social Security tax rate would need to be 18.1 percent to meet program costs in 2080, an increase of 46% over the current rate.

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